

Message Text

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ACTION IO-14

INFO OCT-01 ISO-00 CIAE-00 CU-05 INR-11 NSAE-00 RSC-01

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P R 261730Z SEP 74

FM AMEMBASSY PARIS

TO SECSTATE WASHDC PRIORITY 2692

INFO USMISSION USUN

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NESCO

E.O. 11652: N/A

TAGS: AORG, OCON, UNESCO

SUBJECT: 95 EXBD: ITEM 5.1: UNESCO 1975-76 BIENNIUM
BUDGET

REF: PARIS 22004

SUMMARY: DUE IMPACT OF DECREASED DOLLAR-FRANC EXCHANGE
RATE AND ESPECIALLY ESCALATING INFLATION UNESCO 18 C/5
BUDGET PROPOSAL NOW IN EXCESS OF \$170 MILLION. WITH
EXCEPTION OF FRG, NONE OF GENEVA GROUP PREPARED TO BACK
US INSISTENCE ON \$155 MILLION BUDGET AND SEEM LIKELY TO
ACCEPT BUDGET AT OR NEAR \$165 MILLION AS REAL ECONOMY
COMPROMISE DUE DOLLAR FLUCTUATION AND ESPECIALLY
INFLATION. EXECUTIVE BOARD WORKING GROUP, DUE BOTH ITS
LDC PARTICIPANTS AND SECRETARIAT STANCE, LIKELY TO
PRODUCE BUDGET PROPOSAL BY SEPT 27 THAT ONLY SLIGHTLY
UNDER REVISED 18 C/5 HIGH. PERMDEL WILL NEED DEPARTMENT'S
COMMENTS SOONEST RE ANY POSSIBLE FURTHER
US FLEXIBILITY I.E. GOING TO FIGURE AT OR NEAR \$165
MILLION IN VIEW LIKELY VOTE AT EXBD NEXT WEEK.

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1. UNESCO GENEVA GROUP MET SEPTEMBER 25 FOR FURTHER

DISCUSSION RESPECTIVE POSITIONS REGARDING 1975-76 AND REPORT FROM UK AND FRG MEMBERS OF EXECUTIVE BOARD WORKING GROUP (OTHERS ARE ALGERIA, CZECHOSLOVAKIA, FRG, MEXICO, ZAMBIA UNDER JAMAICAN CHAIRMANSHIP) ON LATTER'S PROGRESS IN ANALYSIS 18 C/5 BUDGET PROPOSED BY SECRETARIAT AND LIKELY SUBSTANCE OF WORKING GROUP CONSENSUS PROPOSAL.

2. MEETING STRIKINGLY CONFIRMED PERMDEL APPREHENSIONS REPORTED REFTEL (RE SEPTEMBER 18 GEREVA GROUP MEETING) THAT, APART FROM TENUOUS EXCEPTION CF FRG, NONE OF GROUP WILLING TO SUPPORT US IN EFFORTS NOW OR AT GENERAL CONFERENCE TO HOLD BUDGET AT \$155 MILLION. INDEED NONE OF GENEVA GROUP, INCLUDING FRG, WILLING TO BACK TACTICAL POSITION OF BIG-DONOR SOLIDARITY ON ECONOMY ISSUE, E.G., PERMDEL STRONG SUGGESTION OF JOINT DRAFT RESOLUTION CALLING FOR SUBSTANTIAL CUTS IN ADMINISTRATIVE EXPENSES, MUCH LESS ANY FORMAL PROPOSAL OF \$155 MILLION LIMIT. UK MOST NOTABLY UNWILLING TO BACK US AND IN FACT VERY TACTFULLY BUT REPEATEDLY UNDERMINED AND ISOLATED US POSITION BY CAUTIONING OTHERS AGAINST "CONFRONTATION" WITH LDC'S WHENEVER MEMBERS APPEARED INCLINED TO ACCEPT VARIOUS PERMDEL TALKING POINTS IN ADVOCACY HARD-NOSED ECONOMY STANCE.

3. EXCEPT FOR FRG, GENEVA GROUP MEMBERS UNWILLING TO EXTEND SUPPORT DESPITE PERMREP AND DELOFF REITERATION OF \$155 MILLION CEILING AS MOST FORTHCOMING US POSITION POSSIBLE IN VIEW DOMESTIC BELT-TIGHTENING, COMMONLY ACKNOWLEDGED CRITICISM OF UNESCO MANAGEMENT AND STRESS UPON GRAVE CONCERN OF US OVER CONGRESSIONAL PROSPECT OF BUDGET IN EXCESS OF \$155 MILLION.

4. INSTEAD, GENEVA GROUP CONSENSUS SEEMED TO HAVE FIRMED UP FURTHER SINCE LAST MEETING (REFTEL) THAT \$160-165 MILLION WAS LIKELY TO BE BEST POSSIBLE COMPROMISE OBTAINABLE IN VIEW LDC VOTING STRENGTH. HOWEVER, INDICATIVE OF DISORDER WROUGHT BY DOLLAR FLUCTUATION AND ESPECIALLY ROCKETING INFLATION IN FRANCE, PLUS EXPENSES OF CHINESE-ARABIC LANGUAGE IMPLEMENTATION AND STATUTORY SALARY INCREASES, GENEVA GROUP MEMBERS AND SECRETARIAT LIMITED OFFICIAL USE

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UNABLE TO GET PRECISE FIX ON JUST HOW MUCH BUDGET WOULD BE EVEN IF 18 C/5 PROPOSAL WENT UNCHALLENGED.

5. DEPARTMENT WILL RECALL THAT 18 C/5 BUDGET OF \$155 MILLION SUBMITTED TO SPRING EXECUTIVE BOARD WAS PREDICATED DOLLAR EXCHANGE RATE OF 5.10 FF AND ANNUAL INFLATIONARY RATE OF 8 PER CENT.

6. IN JULY SECRETARIAT FORMALLY NOTIFIED MEMBER STATES
(DOCUMENT 18 C/5 REVISION I) THAT ON BASIS ACTUAL 4.90
FF EXCHANGE RATE AND ESPECIALLY INCREASE TO 12 PER CENT
INFLATIONARY RATE, THE 155 MILLION FIGURE HAD RISEN TO
\$169,644,000.

7. HOWEVER DOLLAR EXCHANGE RATE IN SEPTEMBER FIXED BY

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UNESCO AT 4,80 FF; A DECREASE WHICH, IF PERSISTING
INTO OCTOBER WHEN GENERAL CONFERENCE MEETS, WILL MEAN
ANOTHER \$2.8 MILLION ADD-ON.

8. FURTHER, THERE IS ESTIMATED \$900 THOUSAND ENTAILED BY
ARABIC-CHINESE LANGUAGE IMPLEMENTATION IN 1975-76 AND
ANOTHER \$950 THOUSAND ENTAILED BY TWO GENERAL SERVICES
SALARY INCREASES OF FOUR PERCENT EACH; ONE OF WHICH
UNFORESEEN BUT STATUTORY LINKED TO INCREASE IN COST-OF-
LIVING INDEX.

9. IN SUM, DUE FACTORS CITED ABOVE, THE \$155 MILLION
18 C/5 BUDGET ORIGINALLY FORMULATED IN FEBRUARY 1974 IS

NOW CALCULATED AT ABOUT \$174.3MILLION.

10. WORKING GROUP - SECRETARIAT CONSULTATIONS HAVE EXPLORED FOLLOWING POSSIBLE DEVICES WHICH SEPARATELY OR IN COMBINATION COULD BRING DOWN THIS FIGURE BY A FEW MILLIONS:

- A) REDUCTION OF 5.9 PER CENT GROWTH RATE PREMISED IN 18 C/5 TO 3 PER CENT OR 2 PER CENT.
- B) PEG BUDGET ARTIFICIALLY TO 4.90 FF BUT PROVIDE LIMITED OFFICIAL USE

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CUSHION AGAINST EFFECTS OF SIGNIFICANTLY LOWER RATE BY CHANGING FINANCIAL REGULATIONS TOPERMIT DG TO SUBMIT SUPPLEMENTARY ESTIMATES OF UP TO 5 PER CENT OF BUDGET. CURRENT REGULATIONS LIMIT SUCH SUPPLEMENTS TO 2.5 PER CENT.

11. EXECUTIVE BOARD WORKING CROUP BEGAN SEPT 19 ON SERIES OF MEETINGS, OUTSIDE OF BOARD SESSIONS, WITH DIRECTOR GENERAL MAHEU AND ADG'S OF SECTORS. PREDICTABLY NONE CONCEDED ANY AREAS OF ECONOMIES. NEVERTHELESS, PURSUING POSSIBILITIES CITED IN PARA 10, WORKING GROUP HOPES TO FORMULATE CONSENSUS PROPOSAL BY SEPTEMBER 27 WHICH WILL BE DISCUSSED WITH DG ON SEPTEMBER 30 OR OCT 1 WHEN HE HAS RETURNED FROM US PRIOR TO PRESENTATION TO EXECUTIVE BOARD PLENARY SESSION.

12. PERMREP WILL MEET PERSONALLY EARLY NEXT WEEK WITH ALGERIAN PERMREP (PRESIDENT OF UNESCO "GROUP OF 77"), TOGOLESE PERMREP (PRESIDENT OF "77" AFRICAN GROUP) AND SENEGALESE PERMREP TO IMPRESS UPON THEM FURTHER US DETERMINATION TO HOLD BUDGET TO \$155 MILLION AND ASK THEIR SUPPORT. HOWEVER LATTER ARE CERTAIN TO REJECT FIGURE AT OR EVEN SLIGHTLY ABOVE \$155 MILLION. PERMREP HAS MET WITH DEPUTY DG FOBES AND IMPRESSED UPON HIM SERIOUSNESS OF US POSITION.

COMMENT: PERMDEL CAN ASSURE DEPARTMENT THAT US INSISTENCE ON \$155 MILLION HAS BEEN CONVEYED EMPHATICALLY TO KEP MEMBERS OF REGIONAL GROUPS, AS WELL AS M'BOW, BY PERMREP AND DELOFFS.

HOWEVER PLAIN IF PAINFUL FACTS ARE THAT US HAS NO SUPPORT FROM ANY NON-COMMUNIST BIG DONORS, EXCEPTING TENTATIVE FRG BACKING, MUCH LESS ANY SUPPORT FROM LDC'S. INDEED, AFRICANS SEEM PARTICULARLY ANXIOUS TO PRESERVE BIG BUDGET THAT M'BOW WILL IMPLEMENT AS NEW DG. GENEVA GROUP SEES US POSITION AS TOO INFLEXIBLE IN FACE OF INFLATION FACTORS AND NOTE THAT THEIR ASSESSMENTS GOING UP AS US PERCENTAGE GOES DOWN. SOVIETS HAVE EXPRESSED SAME CONCERNS AS US BUT NOTABLY CANNOT OR

REFUSE TO TELL PERMDEL WHAT THEIR LIMIT IS AND
ESPECIALLY THAT THEY WOULD VOTE "NO" AT GENERAL
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CONFERENCE.

DEPT REQUESTED CONSIDER WHETHER ANY FLEXIBILITY US
POSITION. FLEXIBILITY, IF AT ALL POSSIBLE, AT THIS
POINT WOULD PROBABLY YIELD MORE IN TERMS KEEPING
ULTIMATE ACTUAL BUDGET AS LOW AS POSSIBLE--PERHAPS
\$165 MILLION--BY VIRTUE RESTRAINING INFLUENCE ON
EXECUTIVE BOARD'S BUDGET PROPOSAL FOR GEN CONF ACTION IN
OCTOBER.

EVER PRESENT FACTOR IS QUESTION OF US RELATIONSHIP
WITH M'BOW AND OVERALL POLITICAL CLIMATE OF 18TH
GENERAL CONFERENCE WHICH WILL BE AFFECTED BY US STANCE.

ANOTHER MEETING GENEVA GROUP SCHEDULED FRIDAY
AFTERNOON SEPT 27 DEPENDING ON PROGRESS WORKING GROUP.
ITEM WILL LIKELY COME TO PLENARY SOMETIME TOWARD END
WEEK OF OCTOBER 1ST.
IRWIN

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